

JLARC to review a beer tax exemption for microbreweries



The 2006 Legislature directed the staff of the Joint Legislative Audit and Review Committee (JLARC) to conduct performance audits of tax preferences. This preference is included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.

In 1993, the Legislature added a tax on beer to help fund a comprehensive state health care system. At that time, the Legislature provided an exemption for the first 60,000

barrels of beer sold by microbrewers who produce less than 2 million barrels of beer per year.

The tax rate is currently \$4.78 per barrel for those who are not exempt, which is equivalent to 11.5 cents per six pack. The tax is paid at the point of first sale, either by a distributor or by the brewery, if they sell their own beer.

The Legislature did not state a public policy objective for the preference

JLARC staff infer the preference was intended to provide microbrewers with a tax break to help reduce their business costs at a time when the industry was developing in the state.

This study will address the following questions:

1. To what extent are Washington microbreweries using the preference?
 - Are these Washington-based businesses?
 - How long have the beneficiaries been operating?
 - What size are the beneficiaries and what is the range of beer production?
2. How much has the preference reduced costs for the beneficiaries?
3. What are the potential economic impacts if the preference was repealed?

Study Timeframe

Preliminary Report: July 2020

Proposed Final Report: December 2020

Study Team

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JLARC Study Process

